



Virginia Information Technologies Agency



IT Investment Management Service Fee

expect the best



Background

- **Original CIO IT Investment Management Cost Recovery Recommendation:**
“General or single overhead fee.”
- **Analysis of possible hourly rate raised several issues:**
 - Number of projects & procurements varies year to year, making establishment of an hourly consulting & oversight fee problematic.
 - A fee based on billable hours would be a disincentive to customers, some of whom are already not forthcoming about investments subject to ITIB oversight.
- **JLARC approved a dual rate:**
 - Flat fee for Commonwealth Governance.
 - Hourly fee for Agency Oversight & Consulting.



ITIM Services Provided

Flat Fee (Overhead)

Commonwealth Governance

IT strategic planning support and CIO approval of plans
ITIM consulting, assessment and IT portfolio management
Policies, standards, and guidelines development
IT Investment Board support (includes Recommended Technology Investment Projects [RTIP] Report)
Project Manager Development Program management and administration
PMD process and tools development, implementation, and support
Project Manager Development Program training
Quality assurance, performance monitoring, and audit compliance
New program development and internal projects

Direct (Hourly) Billing

Agency Oversight & Consulting

Agency Procurement Requests (APR)
Major IT project consulting
Major IT project planning funding requests
Major IT project development approval
Major IT project RFP approval
Major IT project contract approval
Major IT project Oversight including:
 Dashboard reporting support
 Major IT Project Agency Internal Oversight Committee support
 Major IT Project Secretariat Oversight Committee support
 Major IT project Independent Verification & Validation (IV&V) reviews
Non-major IT project development approval
Budget Request Reviews



Agency Perspective of Hourly Rate

"(The analyst) involved herself in our project, then billed us for it!" - Jamestown-Yorktown Foundation

"We are going to have to limit our discussions with you to the minimum." – VDOT
(And they have! - VDOT/PM Analyst)

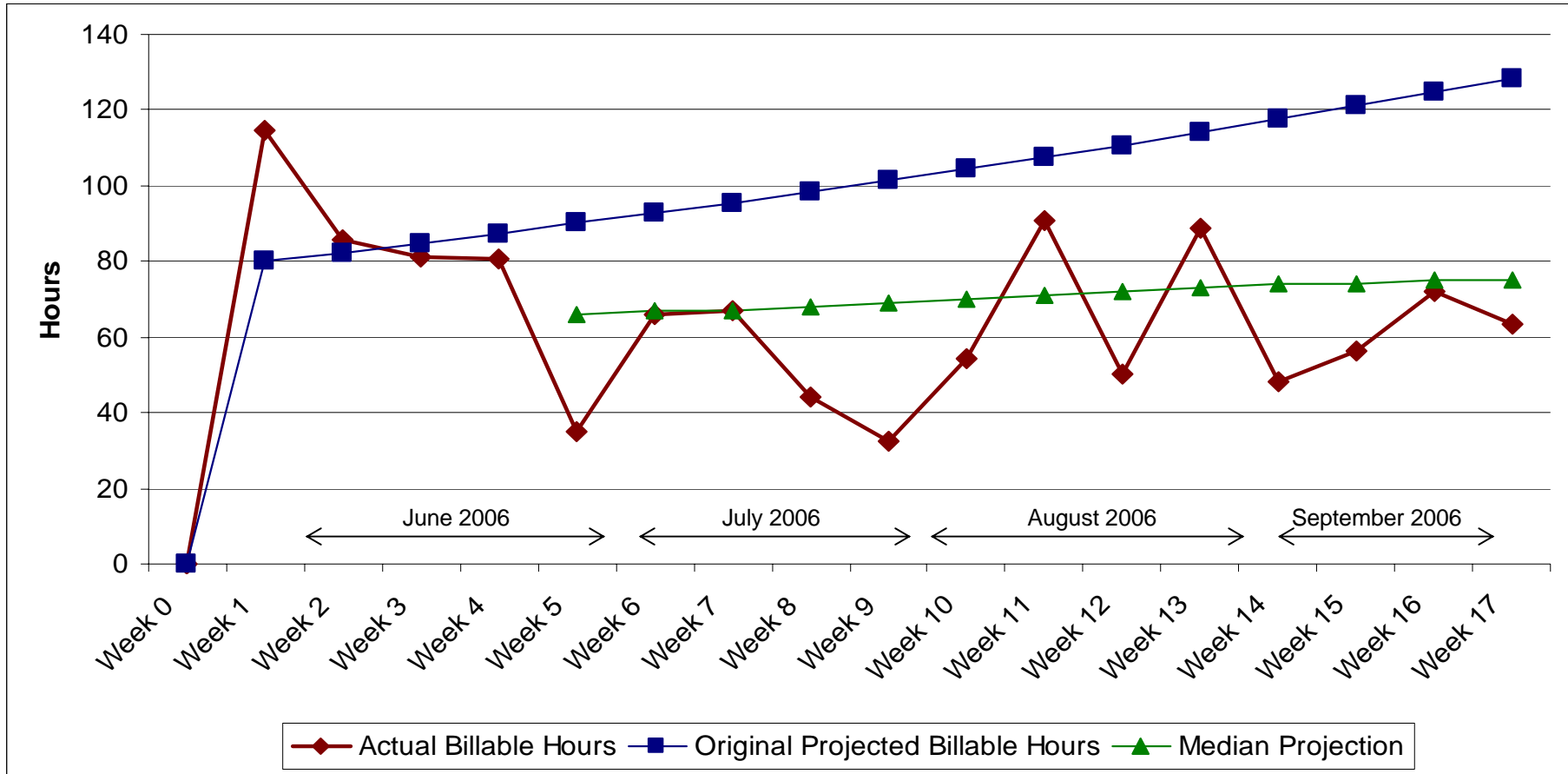
"DMV IT projects have earned a reputation for quality and success, and therefore, they should be exempt from overly burdensome (and expensive) oversight that other, less competent agencies, have to go through. PMD should keep doing oversight, just keep it at arms length and not so cumbersome for DMV." - DMV

"I am hoping that we will not be billed for your services unless we specifically request your assistance. Am I correct?" – VDH

"Did you know we get billed every time we call the VITA PMD office? We also pay for you to be our VITA education liaison. I am somewhat reluctant to call you for this reason. It's the PM in me....watching our unplanned project costs!" - LU

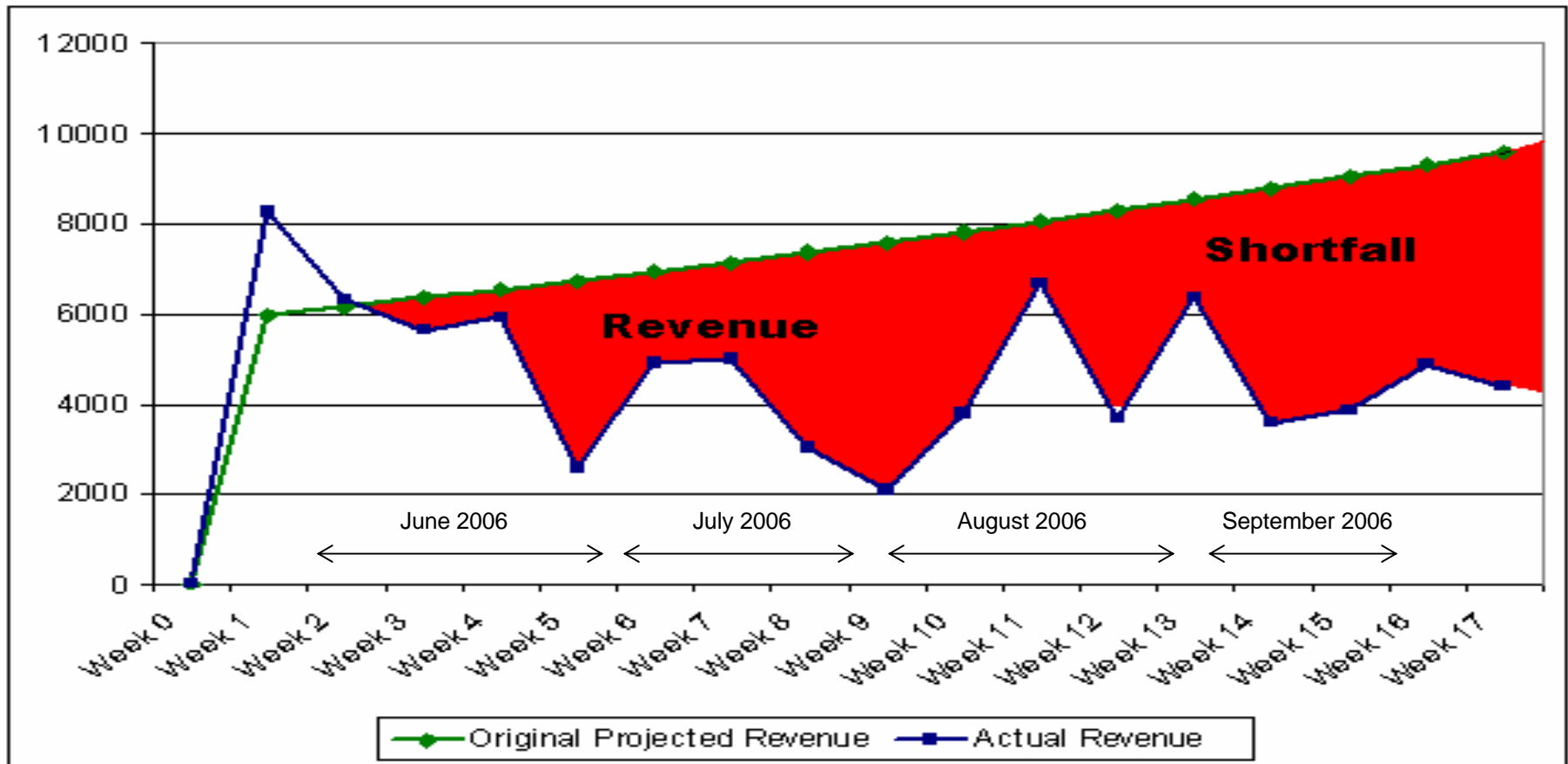
Projected and Actual Billable Hours

June - September 2006



Projected and Actual Revenue (From Billable Hours)

June - September 2006





Agency Technology Strategic Plan Analysis (Before & After ITIM Service Fee Implementation)

Change in Agency Plans from 2004-2006 to 2006-2008 Biennium

Category	Type	Change in No.	Change in Cost (millions)	% Change in No.	% Change in Cost
Projects	Major	-49	\$ -310.6	-45.4%	-27.5%
	Non-major	-210	\$ -68.7	-72.2%	-70.0%
Procurements	Major	18	\$ 54.4	28.6%	20.6%
	Non-major	111	\$ 30.5	15.1%	18.0%
Total		-130	\$ -294.4	-10.8%	-17.7%

Rate calculation based on 2004-2006 Biennium CATSPA entries.



Anticipated Major IT Project Development Approval Requests

1. DEQ Document Management
2. DGS Real Estate Portfolio Management Information System (PLATS Replacement)
3. DRS Integrated Financial Management System
4. Virginia Enterprise Applications Program– Phase 1 (Budget Planning/FMS)
5. VDOT Equipment Management Information System
6. VDOT Pavement Management System
7. VEC Unemployment Insurance
8. VITA Web and Software Accessibility Compliance
9. VSP Virginia Records Management
10. VSP Statewide Mugshot and Other Images
11. TAX Virginia Tax Online Upgrade



Negative Impact of Revenue Shortfall

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Conclusions

Rate calculation assumptions proved incorrect...

- 1. PMD never fully staffed (chicken and egg)**
- 2. Agency immediate and active resistance to hourly rate mitigated against 3 to 6 month ramp up to achieve revenue target**
- 3. Overall consulting work has declined (Agency resistance to hourly rate)**
- 4. PMO staff required for other Governance functions (e.g., 2006 RTIP, completion of PSGs, support of Project Manager Development Program)**
- 5. Agency IT Plans (CATSPA entries) dramatically changed**

Hourly billing has had a negative impact on PMD mission - agencies are rewarded by not using services (save money)



Recommendations & Associated Benefits

Recommendations:

- Adoption of a flat fee (based on # of agency “seats”) for all PMD (ITIM) services.
- Establishment of an ITIM services revenue target based on a specified PMD level of effort (12 PM Analysts, 1 Director, & 1 Administrative Assistant).

Benefits:

- Provides optimization of PMD work effort across all ITIM services.
- Removes a significant agency disincentive to work with PMD and benefit from ITIM services.
- Mitigates budget impact on agencies and improves agency ability to plan and budget for ITIM services.
- Facilitates redistribution of PMD work effort to those agencies and projects in critical need of assistance.



Recommended Motion

“I move that the Finance and Audit Committee recommend that the ITIB approve submission to JLARC of a flat fee proposal (based on # of agency “seats”) for all PMD (ITIM) services.”



Backup Slides



Current Rate Determination - Key Assumptions

1. PMD would be fully staffed at 15 FTE (includes 1 General Funded administrative assistant)
2. 6 FTE would be dedicated (100% of available time) to oversight and consulting (hourly billing).
3. All Commonwealth Governance (flat fee) and administrative work would be handled by the remaining PMD staff.
4. The consulting work would increase with additional dedicated resources or at a minimum remain constant.
5. It would take 3-6 months to achieve required revenue stream from hourly billing.
6. PMD manager and other staff would contribute some billable hours.
7. Agency IT Strategic Plans for the 2004-2006 Biennium (CATSPA entries) for projected project and procurement activity were accurate.



Current Rate Calculation

Rate Calculation Factors:

Estimate of work effort (percentages)

Forecast of projects and procurements from 2004-2006 Agency IT Strategic Plans (CATSPA entries)

Limited historical data on numbers of projects and procurements

Work Effort Estimate:

Commonwealth Governance – 53% = 12,397 hrs (7.45 FTE)

Agency Oversight & Consulting – 47% = 10,899 hrs (6.55 FTE)

PMD Cost Recovery:

Commonwealth Governance – \$878,036

Agency Oversight & Consulting – \$771,964

Required Rates:

Commonwealth Governance – Flat monthly fee

Agency Oversight & Consulting – \$74.74/hr



PMD Personnel Level (FTE)

Group	Target	Negotiated Target	Actual	Below Target
IT Investment Management Office	4	4	3	1
Project Management Office	6	5	5	1
Management Support Office	3	2	1	2
Associate Director and Admin. Support	2	2	2	0
Total PMD Staff	15	13	11	4

Rate calculation based on Target FTE level.

Negotiated Target FTE established in consideration of unknown impact of NG contract and Charter Schools legislation.